

[8th November 1935]

MR. V. M. RAMASWAMI MUDALIYAR:—" May I know, Sir, whether the Government will restrict the fee charged by private licensees for agricultural pumping to make it the same as that levied by Government? "

The Hon. Sir K. V. REDDI NAYUDU:—" It depends upon a number of circumstances. But the question will be considered."

Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—" Will they now at least get the information from Mysore and reconsider the matter? "

The Hon. Sir K. V. REDDI NAYUDU:—" Conditions in Mysore are not the same as in Madras. Further, they may have their own reasons to do so."

Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—" The reason may be to help agriculture."

The Hon. Sir K. V. REDDI NAYUDU:—" The reason may be otherwise also."

MR. V. M. RAMASWAMI MUDALIYAR:—" The Hon. Member cannot raise the plea that in Mysore the conditions are different."

The Hon. Sir K. V. REDDI NAYUDU:—" How can they do it when the conditions are different? "

UNSTARRED QUESTION

Inland Waterways

Collection of penal licence fees from owners of boats plying in the Buckingham Canal.

511 Q.—MR. V. T. ARASU: Will the Hon. the Member for Revenue be pleased to state—

(a) whether any representations were received by the Government from the owners of boats plying for hire in the Buckingham Canal alleging that penal licence fees are being collected from them against the spirit of section 6 of the Navigation Rules under the Canals and Ferries (Public Ferries) Act of 1890; and

(b) what the findings of the Government are on those allegations?

A.—A petition from the boat owners was received recently and referred to the Chief Engineer for Irrigation. The Chief Engineer's report is awaited.

[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—RESOLUTION RE GUARANTEE IN RESPECT OF DEBENTURES ISSUED BY THE CENTRAL LAND MORTGAGE BANK—cont.

11-15 a.m. * The Hon. the PRESIDENT:—" Discussion on the motion^a of the Hon. Mr. P. T. Rajan will now be resumed."

^a This was discussed in part on 2nd and 4th November 1935.

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* Mr. C. BASU DEV:—" Mr. President, I rise to oppose the resolution. I do so on two grounds: firstly on account of the unsatisfactory working of the land mortgage banks, secondly on account of the policy of the Government underlying their financial assistance to these banks.

" Referring to the banks themselves, at the outset, I must say that I am not in the least satisfied with them from their very inception. I, along with many of my hon. Colleagues, had occasion to complain to the Hon. Minister that these banks were not started in the proper atmosphere with the proper groundwork of propaganda, but that they sprang into existence overnight with the result that most of them were in the hands of political cliques. I am sorry to say that the officers responsible for the starting of these institutions are not a little responsible for this state of affairs.

" From the report of working of the land mortgage banks we find that the old Pithapuram bank had to be abolished and the new Pithapuram bank to be started. May I ask why and how the old bank had failed to function and what the necessity was for starting a new Pithapuram bank instead of reviving the old bank and substituting a new directorate? It is not to throw out one group and place another in power? There are many other instances of this kind. Even this single instance is sufficient to show that these banks are in the hands of political cliques which cannot and will not work them on sound principles.

" Sir, I understand that the primary banks are under the immediate supervision of the sub-deputy registrars. I wish to know what their qualifications are and what their experience is in assessing the value of lands and in ascertaining the status and the repaying capacity of the applicants for loans. I should think the officials of the Revenue Department are the proper persons to be entrusted with this important work.

" Next, Sir, I would refer to the want of or insufficient supervision of the co-operative societies by the Co-operative department. In April last I had occasion to complain to the Deputy Registrar against the very serious maladministration of the Workers' Co-operative Bank. I received a reply from him in May, a month later, that for want of evidence my complaint could not be further examined."

Mr. P. V. KRISHNAYYA CHOUDARI:—" May I know, Sir, whether we can discuss under this motion, matters other than those relating to land mortgage banks? "

* The Hon. the PRESIDENT:—" Let us follow the arguments of Mr. Basu Dev."

* Mr. C. BASU DEV:—" Sir, my hon. Friend seems to be very anxious to have his say on this question. I am sure he will have his chance. (Laughter.) Sir, if I referred to the Workers' Co-operative Bank, it is only with a view to give an instance of deficiency in supervision of the Co-operative department over the working of co-operative

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societies generally, and land mortgage banks are part and parcel of the co-operative movement which is under the control and supervision of the Co-operative department.

“ To proceed with the Workers’ Bank, from April last, till October when the department was forced by me to take action, a sum of nearly Rs. 13,000 was allowed to be misappropriated. If this is the sort of control which the department is going to exercise, I am afraid it is not safe to entrust large sums of money to societies.”

* The Hon. the PRESIDENT:—“ The hon. Member may confine his remarks to supervision over land mortgage banks.”

* Mr. C. BASU DEV:—“ Sir, it is very difficult to draw a line between the land mortgage banks and other banks.”

* The Hon. the PRESIDENT:—“ But during the course of this discussion, the House will have to draw a line.”

* Mr. C. BASU DEV:—“ I bow to your ruling, Sir. I am not attacking the Minister, but only the department over which he has very little control, because it is very much under the influence of the alleged expert, the Joint Registrar, to whom the Hon. Minister, with zeal that does more credit to his heart than to his head, has been giving undue and unjustified encouragement, much to the detriment of the department in which considerable rot has already set in.”

Diwan Bahadur A. APPADURAI PILLAI:—“ I take very serious objection to the word ‘rot.’ Is it not unparliamentary to say that, Mr. President, with reference to the working of a department? ”

* The Hon. the PRESIDENT:—“ I do not think the use of the word ‘rot’ is unparliamentary at all. Mr. Basu Dev may proceed with his speech.”

* Mr. C. BASU DEV:—“ Thank you, Sir. My criticism of the department is not very much favoured by the authorities or by the erstwhile Director of Industries. I do not want to tread upon the corns of either the officers or those interested in them and I therefore leave the matter at that pleading for greater and stricter control by the department.

“ Now, Sir, as regards the object of the Government in affording such large financial assistance to the land mortgage banks, the idea is to redeem the rural debt. If that is so, I respectfully submit, this is not the way to tackle the problem. From the report of Mr. Satyanadhan, we find that within a period of five years, from 1930, the time of the Banking Enquiry Committee, to the date of this report, the rural debt has increased from 150 crores to 200 crores, that is by 50 crores. This piecemeal and patchwork attempt to redeem such a vast

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sum is not the proper way of getting about the business. The only way is to copy the experiment of Bhavanagar. I hope and pray that the Government will have the courage and the wisdom to boldly investigate at least the possibilities of that experiment. From the report of the working of the Debt Conciliation Act in the various provinces which we have had occasion to study in connexion with the consideration in the Select Committee of the Debt Conciliation Bill of Mr. Ramalinga Chettiyar, we find that conciliation has invariably resulted in reducing the debt by 50 per cent; we in this province can logically anticipate a reduction even greater than 50 per cent of the provincial rural debt if the Government can come boldly forward and say that they are prepared to take upon themselves the debt if it is reduced to a reasonable figure. If the debt is thus reduced from 200 crores to at least 100 crores, I have every confidence that the debtors themselves will be willing to come forward to pay at least another 50 per cent of this 100 crores and this would ultimately have the effect of reducing the commitment of the Government to 50 crores.

“ Mr. President, the Government, for the last three or four years, have been making remissions of revenue to the extent of 50 or 60 lakhs every year. If to this amount is added the annual collections from the rural debts towards loans which the Government will thus have taken upon themselves, I am sure, they will find more than the annual instalments necessary to pay off this 50 crores of debt. Sir, I do not suggest that the Government should raise a loan of 50 crores. That will be an impractical proposition, but I say that there is no difficulty in the Government issuing debentures to the creditors to the extent of Rs. 50 crores at $3\frac{1}{2}$ per cent. This is the simplest and best way of effecting reduction in rural debts and the debtor himself will be considerably relieved even in the matter of the interest he has to pay on the debt. As it is, he will have to pay about $6\frac{1}{2}$ to 8 per cent. I hope the Government will sympathetically and courageously examine this proposition with a determination to give effect to it as far as possible. I therefore think that the Government will have first to decide upon their future policy before they commit themselves to guarantee for another amount of 50 lakhs.”

Mr. P. V. KRISHNAYYA CHOUDARI :—“ Mr. President, Sir, I am not anxious to oppose this resolution, but at the same time I want to point out some defects in the present administration of the land mortgage banks so that the Government may remedy them. I do not know why the Central Bank, as stated at page 6 of the report, under item VI, which is a 5 per cent debenture, redeemed only Rs. 44,000 and retained such a large sum as Rs. 7 lakhs and odd and under item VIII which is a 4 per cent debenture they discharged Rs. 22,300 without trying to completely discharge the debenture under item VI which carries 5 per cent interest. The House will understand that by this transaction the Central Bank loses interest at 1 per cent on Rs. 22,800. I do not know why the Central Bank has discharged the debenture

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carrying a lower rate of interest when they have yet to clear a debenture carrying a higher rate of interest.

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a.m.

“ Another thing which I want to bring to the notice of the Government is that the land mortgage banks, which it was expected, would give relief to the rural population are not giving them the expected relief as the banks are working at present. I shall prove my statement by taking the House with me through some of the figures given in the report. According to the report (page 8, paragraph 12), at the beginning of the year the number of loan applications pending before the primary banks was 1,055, and during the year 2,504 loan applications were received by them. The total amount of loans applied for to the primary banks aggregated Rs. 65 lakhs nearly, of which the Central Land Mortgage Bank granted a loan of Rs. 27 lakhs nearly, or very roughly one-third of the loan amount has been sanctioned by the Central Land Mortgage Bank. From this we should be able to find that there is something defective in the working of the land mortgage bank, the cause for which we are not in a position to understand now. From this it will be clear that the benefit enjoyed by the poorer class of people by the working of the land mortgage bank is not so very encouraging. These land mortgage banks were started some six years ago. After six years' working, I ask how many people have been benefited. If the Hon. Minister will look into the figures given on page 10 of the report he will find as follows:—

Year	Number of loan applications
1929-30	26
1930-31	221
1931-32	267
1932-33	486
1933-34	728
1934-35	1,050
Total	2,778

“ The total number of loan applications for six years amounted to 2,778. Now, is it worth while, I ask the Government, to give a guarantee of interest to the extent of $1\frac{1}{2}$ crores for the benefit of 2,778 loan applications? I ask what are the reasons for not improving the working of the banks.

“ Another defect which I want to point out is that the land mortgage banks are not serviceable to the people. If hon. Members will look into the tabular statement of the report they will find there were three loan applications whose amounts were below Rs. 500 each. So how many people were really benefited in 1929? Only three people. That is the way in which the land mortgage bank is functioning for the poorer class of people. Again in 1930-31, three people, in 1931-32, eight people, in 1932-33, 11 people, 1933-34, 46 and 1934-35, 98 people. These figures show that there has been no progress in the working of

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these banks, so far as its benefit to the poorer class of people is concerned. So I want to know what the real cause for this is and therefore request the Government to investigate and see if any more relief could be given to poorer people.

"Another fact which I wanted to bring to the notice of the Hon. Minister was that even though half a dozen banks as mentioned in the report were started some five years back, they have not transacted even one loan. I want to know what the reasons are for this state of affairs. Whether the department has taken any action or not is another matter which the Government has to answer. If the department has taken action and yet the banks mentioned above have not been working, why not the Government close such banks and open them in other places?

"Mr. President, Sir, there are certain points to be noted in connexion with the drawing up of debentures. I ask why the Government should not issue a notice to all 5 per cent debenture-holders that their debentures will be discharged from such and such a date, and that they will only be given the rate of interest which will be prevalent in the market at that time. When the land mortgage banks are in a position to get loans at $3\frac{1}{2}$ per cent interest, why not they ask the debenture-holders to convert their debentures into $3\frac{1}{2}$ per cent Government paper and if they do not do so, give them notice, just like the Government of India, saying that when the banks get funds those debentures will be discharged.

"Again, Sir, although the bank has got property security of Rupees 1,70,00,000, it has advanced loans to the extent of only one-third of this amount. I would suggest to the Government to give the people all possible facilities. Why not the bank give loans up to 50 per cent of the value of the property? Why not give the people larger loans because every instalment that is paid by them will go to discharge the loan, thereby reducing the liability of the property? Even if they allow 60 per cent of the securities as loans, they will not be in any way losers, because the rate at which they fix the value of the security is far below the market rate. So the land mortgage bank can grant at least 50 or 60 per cent of the security as loans. The ryot population are probably not in a position to take advantage of the existence of the land mortgage banks. The Central Land Mortgage Bank, though it gets a profit of Rs. 60,000 or Rs. 70,000 per year by way of profit, is not spending even an anna for propaganda work. As a matter of fact, a very responsible man told me that there is no propaganda work in the villages about the utility of the land mortgage bank. So the Central Land Mortgage Bank should be insisted on to do some propaganda work.

"Then, as regards the suggestion that there should be one Sub-Deputy Registrar for three banks, that depends upon the nature of the work for each Sub-Deputy Registrar. In my opinion one Sub-Deputy Registrar can get on even with the work of twenty banks, if he is a

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proper officer and knows his work well. I feel on the other hand that we should increase the number of banks as has been pointed out by the Executive Officer. In this connexion I request the Hon. the Chief Minister to see that something is done as early as possible and also to give an opportunity to this House for discussion by bringing forward this report as an annual report just like the Public Services Commission's Report."

* Rao Sahib V. I. MUNISWAMI PILLAI:—"I am not opposing the resolution moved by the Hon. Minister, but at the same time I would like to point out that the support given by the department to other activities of that department, viz., house-buildings and credit societies, and marketing, etc., is not so encouraging as it is in the case of land mortgage banks. The other day the Registrar of Co-operative Societies convened a conference of all important co-operators including the President of the land mortgage bank, the chairmen of municipal councils and presidents of district boards who are all interested in house-building. After due deliberation, the whole conference came to the conclusion that they might float a Central House-building Society for the province if the Government gives guarantee to raise debentures. After the whole scheme was submitted to the Government I understand that Government has turned it down saying that they cannot give a guarantee. I do not understand the reason for their saying so and why one section of co-operative activity, viz., the land mortgage bank should be benefited by a guarantee of 100 lakhs of rupees, while the other section, the House Building Section, should suffer whose activity is after all to acquire house-sites for the poor class of people and which goes a great way to meet the poor man's demands, and I do not think it is fair on the part of the Government to utilize to the fullest extent all the debenture amount for land mortgage banks only.

"Secondly, Government recently appointed marketing officers to give relief to the poor agriculturists. As far as I understand, nothing has been done substantially. I think money spent in that direction will not go a great way to relieve the indebtedness of the agriculturists. In my own district the Registrar tried to start a society for giving marketing facilities. At one time it was turned down, but I was told the matter was again being reconsidered. I do not know how far it is going to be successful. Moreover just when the co-operative movement was started, the department went ahead and started several societies for depressed classes and others. At a later date the Registrar found that the societies were not working properly and he began to apply his pruning knife, liquidated and abolished several societies with the result that most of the money had to be written off as bad debts. So it would be in the interests of the land mortgage bank that it proceeds slowly. But in view of the assurance of the Hon. Minister that the loans advanced to the primary land mortgage banks will be properly utilized by the various banks, I have no objection to support this resolution."

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* Mr. K. A. NACHIYAPPA GOUNDER:—" Mr. President, Sir, by rising now I may not be misunderstood to oppose the guarantee being given, as a matter of fact I am for it, but at the same time, I like to make some observations about the difficulties in the actual working of the land mortgage banks. If you go into the system adopted now for granting loans, you will find, Sir, that there are very many difficulties in getting loans from these banks. In the valuation of the land given as mortgage, the local conditions and the particular conditions of the soil of the land are not taken into account. Only a very stringent value is put taking into consideration the value of the other lands in general in that village. With regard to the percentage of the value of the land granted as loan, there again it is very low. On pure dry and rain-fed lands, no loan is allowed, and the lands irrigated by wells can get only a maximum of 30 to 35 per cent of the value as loan and on wet lands only up to 50 per cent of the very low value fixed is allowed as loan. The debtors generally have debts more than 50 and 60 per cent of the present woeful value of the land, and when these strict conditions are applied, not even a fair percentage of the ryots who are indebted are able to take advantage of the land mortgage banks. Some remedy should be found for this state of affairs so that the banks may be useful to as many ryots as possible.

" With regard to the title to the lands, various difficulties come in and harshness is caused. Even though the ryot is able to give sufficient security to cover any defects in the title of any piece of land to be included in the mortgage, even though the defect may not in practice affect the property in any way, loans are to be refused. Sir, the two points, viz., valuation and title, that I have mentioned require some investigation and remedy in order that the land mortgage banks may work with more real and practical advantage to the ryot population.

" As regards advancing loans on lands in proprietary estates there is again a great hardship. Generally the by-laws are drafted in such a way that loans can be advanced only on lands in ryotwari areas. Proprietary estates form a fairly good portion of the lands in every area of our Presidency and if these lands are to be excluded, I do not think we will be doing justice to these people. It may be said that many of these tracts have not been surveyed, but may I ask, Sir whether money-lenders are not lending monies on such lands in the ultimate hope of winning their cause in the civil courts and taking up those lands? Why should not the land mortgage banks also adopt that course? There cannot be said to be any risk at all, Sir, because there are sufficient records with the proprietors of the estates and with the ryots also which go to show that such and such a land belongs to such and such a ryot. Therefore there is no insuperable difficulty in extending the operations of the land mortgage banks to these tracts also or at least to such estates which are surveyed. Finally, Sir, I would request the

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Hon. Minister to investigate these points and see that loans are granted on lands in proprietary estates also. With these remarks I support the motion."

* Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—"Sir, I should like first of all, to thank the hon. Members who have taken part in the debate; because my intention when I proposed, when the Land Mortgage Banks Bill was under discussion, that every increase in the Government guarantee should come before the House, was that this House ought to know about the administration of the Central Bank and express their views with regard to what has been done and what ought to be done in future. This debate has served that purpose. At the same time, I request hon. Members of the House to take a greater and more steady interest in the working of these institutions (land mortgage banks). I am sorry to say that the remarks made by some hon. Members show that they do not know how the societies are working at present. If more hon. Members of this Council and the public take interest in these institutions, it will be for the benefit of everybody.

"Coming now to the actual remarks made by some hon. Members, there seems to be some misapprehension as to how the whole thing is managed. A considerable part of the criticism of Mr. Krishnayya Choudari was directed against the way in which the debentures were issued and redeemed. Sir, it must be remembered that we are working under an Act of this Council. Section 4 (2) of the Act runs as follows:—

'The total amount due on the debentures issued by the Board and outstanding at any time shall not exceed the total amount due on the mortgage, the amounts paid thereunder and remaining in the hands of the Board or of the trustee at such time and the value of all other assets transferred by the mortgage banks to the Central Mortgage Bank and subsisting at that time.'

As soon as we get mortgages, we transfer the mortgages to the trustee and to the extent we transfer the mortgages we float debentures and on these mortgages every year we collect a portion of the principal. That portion will have to be paid back to the debenture-holders, because the section says we can leave debentures outstanding only to the extent to which the principal is yet due. So that portion of the principal which is collected will have to be paid back to the debenture-holders. Therefore every three or four months, lots are cast and from the particular series for which any portion of the principal money is collected, the necessary quantity of debentures are drawn and paid up. Under the Act, we can follow only the course which we are following. That is why when series IX and others are outstanding we had to pay back a portion of the debentures in the VIII series which are bearing only 4 per cent interest. A portion of the debentures has to be paid back each time and only the balance is outstanding. For that no doubt a suggestion can be made, namely, that instead of actually drawing lots and redeeming these debentures, we may probably purchase debentures

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in the open market. That is the only way in which without violating the provision in the section, we can give effect to the suggestion made by Mr. Krishnayya Choudari.

“ The second point is what are we doing with regard to debentures which are still bearing 5 per cent interest? It is already mentioned in the report circulated to hon. Members that so far as series VI and IX are concerned, we have already given them notice of redemption on the 1st of December. (Interruption.) No, not in rotation. When debentures are issued the series can be redeemed after giving three months' notice. In view of the fact that we are able to raise money at a lower rate of interest, we have given notice to the debenture-holders that we are going to redeem the sixth and the ninth series on the 1st of December. After that, the only debentures which will bear more than 4 per cent interest will be the seventh series. I am asked: why not redeem that also? The difficulty is money is not forthcoming as easily as friends in this House seem to think. Money is coming in only in dribblets. We thought that $3\frac{1}{2}$ per cent debentures would give us enough money to meet our current demands and we waited for a long time. I am thankful to the Government for issuing instructions to local bodies to the effect that they may deposit a portion of the provident fund and other monies they have in the Central Land Mortgage Bank debentures. But for that order, I doubt whether even now we would have been able to get the money we wanted. That is the reason why we have not redeemed all the debentures bearing more than 4 per cent interest. As soon as we redeem the sixth and ninth series we will certainly take up the remaining seventh series. I have already written to the Government that it is our intention to take up the seventh series and have them redeemed as soon as we are in a position to do so. We propose to call for applications for debentures and the moment we get sufficient money to redeem the seventh series, we will do so. After that there will be no debentures bearing more than 4 per cent interest. Not only that, we are trying to develop the $3\frac{1}{2}$ per cent debentures. As yet, the response is not as much as we want and we hope, as we proceed, to be able to raise debentures at the lower rate of $3\frac{1}{2}$ per cent. Not only that, hon. Members will be glad to know that only at the last meeting of the executive committee we were able to reduce the rate of interest to the borrowers by another half a per cent. At the present moment the ultimate borrower can get money on mortgages at 6 per cent. I am as anxious as hon. Members in this House to reduce the rate of interest as much and as soon as possible.

“ The difficulty is we have to depend on the open market for the money required. We must be assured that we will get and be able to raise the required amount of money at the required rate of interest. That we are not assured of. As we feel our way and as we are able to raise the required money in the open market, the rate of interest at which we lend money will certainly be reduced.

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“ For particular series of debentures, particular mortgages are made security. So it is not possible to sell debentures as we please and bring down the rate of interest. That is the reason why the present system of issuing the debentures and redeeming them is followed.

“ Then, Sir, one or two questions were raised as to what exactly is the amount that is outstanding in the form of debentures and what amount is wanted. In the guarantee already given, the Government have fixed two amounts; one is the sum of Rs. 50 lakhs and the other is the amount of Rs. 24 lakhs. Under section 6 of the Act they have guaranteed up to the face value of Rs. 50 lakhs; under section 7 they have guaranteed up to Rs. 24 lakhs and odd. Hon. Members of the House will see from the statement given to us that after the first of December, the only debentures that will be outstanding in the second guarantee of Rs. 24 lakhs, will amount to Rs. 7 lakhs. So, the guarantee given for Rs. 24 lakhs will be reduced to Rs. 7 lakhs. Therefore a sum of Rs. 17 lakhs is reduced. Add to this sum, the sum of Rs. 50 lakhs already guaranteed by the Government. The additional guarantee that is required now is only to the extent of Rs. 30 lakhs and odd. It is not really Rs. 50 lakhs. The total guarantee works out to only Rs. 33 lakhs, more than what they have already given.

“ As regards the present position, I may say at once that debentures to the value of Rs. 35 lakhs have been issued by us under the guarantee given under section 6. There will be only Rs. 7 lakhs under the guarantee under section 7. It comes to Rs. 42 lakhs. We want about Rs. 8 lakhs more to discharge these two series—series 6 and 9—in the first week of December. The total thus comes to about Rs. 50 lakhs and odd. The remaining Rs. 50 lakhs will be for the purpose of financing our operations in future. We floated debentures to the extent of Rs. 2 lakhs a month last year; now the demand is increasing to something like Rs. 3 to 4 lakhs every month.

“ The question was raised by my hon. Friend Mr. Krishnayya Choudari, that the amount of Rs. 5,000 fixed as the maximum for borrowing by an individual member is too low and that it ought to be raised. I am glad that the Government have already agreed to the proposal of the bank to raise this maximum to Rs. 10,000. Of course they have added a condition that we will have to do so in select areas. We will have to consult the Registrar with regard to the conditions on which this can be done. A start will be made practically immediately to raise the maximum in some areas at least to Rs. 7,000 in some places and to Rs. 10,000 in other places.

“ There was a complaint that the annual reports of the bank are not circulated to Members of this House and that they should be informed about the administration of the bank on account of the guarantee that is given. Certainly we agree to this, and we have

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absolutely no objection to circulate the report of the bank to the Members of the House; if the Government will undertake to circulate the copies as soon as the annual report is ready, we will be prepared to send the requisite number of copies.

“ Complaint was made as regards the issue of shares; I think it is an unjust complaint. Here I have the list of distribution of shares districtwar; I find that 19 districts in the Province have been given shares. (Mr. P. V. Krishnayya Choudari: ‘ How many shareholders are there in the Guntur and the Kistna districts? ’) Guntur—5 and Kistna—1. My friend seems to forget one thing. It is only when they find the satisfactory working of the bank now, everybody wants to have a share probably in the management of the bank. He forgets the fact that when it was started, there were not people prepared to buy shares; they were not coming in at all; we used to advertise in the papers for several months; we had very little response from the public for purchasing these shares. It was very difficult to induce the people to take shares; we had to go to friend after friend and induce them to take shares of this bank. (Replying Mr. P. V. Krishnayya Choudari) there are 81 shareholders in the Madras City. It was a question of people requesting friends to take shares and not a question of cornering the shares as was suggested. It is always the case; when a concern is started, very few people support it. When it is working well, everybody wants to get in. I may say this: there is no need for further shares, and it will not be in the interest of the administration of the bank to add more individuals, because this bank is intended for societies. We are issuing any number of shares to societies; but as regards individuals we do not want that people should come in either for political purposes or any other purpose. For some time past we have stopped the issue of shares to individuals. If, in case the Government think that any more shares should be allotted either on territorial basis or on any other basis, we have no objection; but the Government will have to realize this fact that in the interest of the bank itself there is no need to increase the share capital of the bank. If people who have no interest in the working of the bank come in, it would not be in the interest of the bank. (Mr. P. V. Krishnayya Choudari: ‘ Why should you have six persons on the directorate? ’) That is for the purpose of administration. It is according to the provision in the Act that the Board is constituted. If this Council were of the opinion that there was no need for this number, that is another matter. What happens in these institutions is this: it is individuals that give momentum to the work of the institution. For instance, Sir M. Ramachandra Rao has devoted practically all his time for the development of this bank for the last four or five years. But for his very steady and self-sacrificing work, I do not think this bank would have attained its present level of efficiency. As a matter of fact, this bank is leading the whole of India; everywhere they are following in the footsteps of this particular bank; the other day, Mr. Darling said that he took the

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example from Madras. Such being the case, I do not think that the Members of the House have got any reason to think that the affairs of this bank are not properly managed. If my hon. Friend, Mr. Krishnayya Choudari, wants anything to be done with regard to representation of any interests ignored so far, he is a member now, the shareholders' meeting will be held on the 24th; it is open to him to bring forward any proposal before the shareholders and I assure him that any reasonable proposal to carry out the interests of this bank will have the support of most of the shareholders.

"The point was raised by my friend, Mr. Nachiyappa Goundar, in a spirit of generosity but, I am sorry to say, hardly in the interest of the sound business. He says: in proprietary estates where there is no survey, there are people lending money on mortgaged securities; why not the Central Land Mortgage Bank? Unfortunately, in a public concern like ours, we cannot afford to take risks. If it is a private money-lender, he can take risks. We have to insist upon proper title being shown. If there is no survey, and if there is no patta, how can we lend money and take risk? It is people's money and money guaranteed by the Government; we have to safeguard the debenture-holders' interests.

"It was also stated that the percentage of the value of the property we lend is too low. There again there is difficulty. We have fixed not 35 per cent but 40 per cent of the value of the property as the maximum sum, we will advance. That is due to the fact that if the money is at default, interest will be accumulating and the question of cost of recovering the money will arise; we have to provide for all such contingencies. It should not also be forgotten that the value is not a permanent feature. Generally prices have come down during the last three or four years. In particular areas, when particular crops cannot be raised, the value of the land comes down. That is a thing which we have to take note of. I think 40 per cent is not a very low figure. If my friend, Mr. Krishnayya Choudari, wants to convince us that we can raise 40 to 45, that is a matter for the general body of the bank to decide. It is always better to have a safe margin so that the interest of the debenture-holders may not suffer if there is any default in payment, or if any adverse circumstances come into existence.

"Then the question of valuation was raised. I must tell the hon. Member that we cannot make any exception with reference to title and valuation. It will be dangerous. The whole business turns on the question of valuation. If the bank is not to be satisfied on these two issues, value and title, it will be very difficult for the bank to manage its business. If anything happens, if in any case we make a mistake and if it is known to the public, the prestige of the bank and the confidence of the people in the transactions of the bank will vanish; and we cannot think of persons coming to finance the bank; the whole thing will come to a stop there.

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"Then, Sir, there were some complaints about dry areas not being helped and also that we are not starting as many societies as may be necessary. I can only say, Sir, that in these two respects, the department has been doing its best. It is proceeding cautiously. In the case of dry lands where there are no irrigation facilities, it is naturally a bit reluctant. It is not correct to say that there are no banking facilities in such places; the report itself shows that there are several dry areas where banks have been started, and there are proposals to start banks in other places as well. But with reference to dry lands which are not irrigated, the policy of the bank is to be a bit cautious for the obvious reason that any failure of the monsoon will make it impossible for the ryot to pay up his loan, and make him become a defaulter. We want to avoid defaults. After all the position of a bank, which is a business concern, and that of the Government are entirely different. It may be under certain circumstances the Government should not care for business principles but should be generous, but in the case of a business concern, like a bank, I think we cannot afford to be generous at the expense of business principles and business procedure.

12-15
P.M.

"My friend, Mr. Basu Dev, stated that he opposed the motion. I think he was the only gentleman who opposed it. I am sorry he is not here, but his objection I could not understand. For one thing he said, why not the Government themselves help the people to discharge the debts as was done in Bhavnagar? Sir, we have no objection to the Government directly intervening and lending at the rate of 4 or $4\frac{1}{2}$ per cent and helping the ryots. As a matter of fact, in the conference which was called the other day by the Hon. the Finance Member to which three of us representing the co-operative societies were invited, we agreed that the Government might directly lend to the ryots at the rate of $4\frac{1}{2}$ per cent. We exist no doubt to help the ryots; if the ryots are going to be helped by the Government with a cheaper rate of interest, certainly, we won't stand in the way. It is because the Government want a bank to undertake this business that we are there. All that the Government do is to give us this help of guaranteeing our debentures, otherwise the whole thing is managed by us. The Government have agreed to lend money up to Rs. 2,000 for the purpose of discharging prior debts. As I said, we do not stand in the way, and in fact we approve of the action the Government are going to take. If the Government are prepared to lend money at lower rates of interest and to manage the business themselves, I think there can be no difficulty whatever. But, in the absence of the Government directly dealing with the problem, an institution like the Land Mortgage Bank is necessary, and that is why it has come into existence. So long as it is there, it has worked and is working, as I said, on business principles.

"His other objection was that societies were started without any preparation and suddenly. I am sorry, Sir, that he is speaking without experience. As a matter of fact, people in a locality have been asking

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for a bank for years before they got one. Several applications are made and deputations go, before a society is registered. It is not at all true to say that a society is sprung on the people without any notice or without preparation."

Mr. P. V. KRISHNAYYA CHOUDARI:—"But banks do not really come when they are wanted."

Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—"Facilities do not exist in places where they are wanted. For instance, we have to take into account the area, we have to find out whether the people there are in a position to utilize the bank, whether they will pay back the money; then there is also the bigger question of the personnel to manage these banks. In several places the banks are not able to work well for want of proper men to manage them. It was also mentioned by my friend, Mr. Choudari, that there are several banks which have not been working for several years. That gives the answer to the question raised by him; it is all due to want of proper men. Whenever a bank is asked for, the department makes enquiries, the Sub-Deputy Registrar or Deputy Registrar goes there and makes enquiries, and when everything has been done, the matter is sent up to us for approval or disapproval. Until that stage, we do not come in at all. It is therefore not the bank that is responsible for the starting or non-starting of societies in particular areas or in particular districts."

Mr. P. V. KRISHNAYYA CHOUDARI:—"But they are guided by the recommendations of the Central Bank."

Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—"As I said, Sir, in the earlier stages, the application is made only to the Deputy Registrar; then the Sub-Deputy Registrar goes and makes enquiries; afterwards, the Deputy Registrar of the district is consulted. Even when the enquiry is made by the officer of the Land Mortgage Bank, the opinion of the District Deputy Registrar is taken, and it is only finally that the Central Bank gets the case. I do not think there have been many cases in which the Central Bank stood in the way of societies being started.

"Again, Sir, it was stated that the number of Sub-Deputy Registrars has not been increased and that has been standing in the way of starting new banks. There I think the Hon. the Minister will have to admit that on account of the smallness of the number of these Sub-Deputy Registrars, several applications have been delayed and that we have been asking for more and more of them. No doubt, if we can have a few more Sub-Deputy Registrars, we can have a few more societies also started; but that is a matter for the Government to decide.

"Sir, these are some of the points which have been raised in the House, and I am thankful to the hon. Members for the interest evinced in the working of this bank; we want them to take greater interest and help this institution.

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“ With these words, Sir, I request that the House will give a unanimous vote in favour of this resolution.”

* The Hon. Mr. P. T. RAJAN:—“ Sir, the administration report of the bank was circulated rather late; but though there was delay, I am glad to see that hon. Members have perused the report and placed their suggestions and observations before the Government for their consideration. I propose to reply to the points raised both by my hon. Friends, Messrs. Krishnayya Choudari and Koti Reddi, as those points practically cover the whole field.

“ Mr. Krishnayya Choudari asked for the number of primary banks functioning in the Presidency to-day; they are 77 in number. I can also give the number of banks which were brought into existence in the last three years:—

1933 ...	...	...	...	...	...	17 new banks.
1934 ...	...	...	...	...	...	9 banks.
1935 ...	...	...	...	...	...	2 „

“ Altogether, during the last three years, 28 banks have been started. If we could not increase the number of banks, it is because of the difficulties pointed out by my friend, Mr. Ramalingam Chettiyar, viz., that we do not get the necessary human material to work the banks and secondly that more banks mean more staff. In these days of depression, the Government cannot afford to increase the staff indiscriminately. The main objection, however, is, as I said, that we cannot find the necessary human material to work these banks properly. My friend, Mr. Choudari, himself pointed out that a number of banks have not been functioning for the last four or five years. I propose to instruct the department to wind them up and transfer them to other places in the same district, if we find that proper men are forthcoming to work them. In the case of the Rajapalayam and Watrap banks, it is proposed to amalgamate them with headquarters at Srivilliputtur. In this connexion, I should point out to my friend, Mr. Nachiyappa Gounder, who is ceaseless in his efforts to help the people of Salem district, that he might pay some attention to the working of the bank at Tiruchengodu. If there is no hope for that bank, it will have to be transferred elsewhere, unless we get persons to come forward and give a guarantee that they would work the bank. The other four or five banks have not yet started functioning for the simple reason that they have not had sufficient time to begin work; and I do hope that by next year they will be in a better position to help the ryots by recommending necessary loans.

“ Sir, the fact that none of these primary banks made any default in the payment of arrears due to the Central Land Mortgage Bank shows that these institutions are functioning fairly well. If all these banks together cannot give that amount of help to the ryots which

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we all expect them to do, it is not the fault of these institutions. Government have imposed conditions and they want that these banks should work cautiously and carefully, so that the confidence in the Central Land Mortgage Bank and the primary banks may not be shaken. It is better to give help consistently, though to a limited few, than to help a number of people for some time and then stop such help because these banks do not function properly.

12-30
P.m.

" Now, Sir, I come to the other point, namely, that the shares have not been evenly distributed among the districts. In this connexion I should like to give, with your permission, Sir, a brief account of the capital and shares of the bank. The authorized capital of the bank is Rs. 10,00,000 which is made up of 10,000 shares of Rs. 100 each, of which only 5,000 shares have been made available at present for allotment and the other 5,000 shares are held in reserve to increase the holding by primary banks later on if found necessary. Every Land Mortgage Bank is eligible for membership in the Central Land Mortgage Bank and any person over 18 years of age is also eligible for membership. Government is also a shareholder. In the case of individuals we have taken care to see that no individual holds more than Rs. 2,000 worth of shares. At present there are 191 individual members holding 799 shares to the value of Rs. 79,900; there are 71 banks holding 1,585 shares to the value of Rs. 1,58,500. In 1930 shares to the value of Rs. 50,000 were allotted to individual members and when it was found that they were not enough, that amount was increased to Rs. 80,000 in 1933. In future it is not proposed to allow individual members to join the bank and membership will be restricted chiefly to the societies. Sir, I am aware of the feeling on the part of some Members of this House that there has not been a due proportion of shares in respect of individual members in the districts. I see, to some extent, there is force in the point, but my hon. Friend, Mr. Ramalingam Chettiyar, has pointed out that that was not due to any fault on the part of the bank that shares were not made available. At the time when the bank was started, nobody would even look at the bank, but now that the bank is in a flourishing condition and it is functioning well, individuals want shares. Be that as it may, in order to rectify that mistake and to meet the wishes of hon. Members of the House, I propose to suggest to the Board of Directors to issue shares to the value of Rs. 20,000 and see that they are distributed in those districts which have not received their due share, so that the deficiency might be made up. When this opportunity is given to the districts, I do hope men who are interested in the working of the bank would enter the bank and devote their time and energy to administration with greater success.

" Sir, in regard to the other point raised by hon. Members, viz., that there should be no differential treatment between dry and wet areas, I may say that as far as I am aware there is no hard and fast rule regarding the area in which these banks are to be started. The

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general criterion observed in granting loans to members is, their capacity to repay the loans after deducting a fair margin to meet their own requirements. To this extent the value of the land to be mortgaged is taken into consideration. In areas where these conditions are satisfied, naturally the banks are established more easily. If in dry areas, similar conditions are found I do not think there can be any objection to the starting of new banks. It is only in wet areas that it is far more easy to satisfy the conditions which I have just now mentioned. I am quite sure if hon. Members would satisfy the Registrar about these conditions, namely, the repaying capacity especially of people who stand to benefit by these banks and that if proper men would come forward to work the banks, the Registrar would certainly take a very sympathetic view of such representations for the starting of new banks wherever and whenever necessary.

“Sir, my hon. Friend, referred to the appointment of executive officer. So long as the affairs of the bank are managed well, I do not see any reason for the appointment of an executive officer by Government.”

Mr. P. V. KRISHNAYYA CHOUDARI:—“When once the matter goes wrong, there is no use in appointing an executive officer.”

* The Hon. Mr. P. T. RAJAN:—“As it is, the interests of the Government are looked after by the Registrar of Co-operative Societies, who is an ex-officio member of the Directorate, and he is also on the Executive Committee. Besides, there are two nominees of the Government on the Directorate and one of these two nominees is also on the Executive Committee. The Registrar who is the trustee of the bank looks after the interests of the debenture holders. In this capacity he has got such wide powers that nothing could be done without his knowledge. At every stage practically, he is consulted and in some cases his previous consent is necessary. As such I do not see any reason for interfering with the management of the bank as suggested when everything is as good as can be expected.

“Sir, I am however aware of the feeling, that in view of the fact that Government have guaranteed both principal and interest, the management of the bank should be taken up by Government and managed by the department. If necessity for such a course ever were to arise the Government of the day, I am quite sure, will consider that suggestion. As I said a minute before, since the bank is functioning properly and since the Registrar in his capacity as Registrar and Trustee has complete control, there is no necessity to interfere with the affairs of the bank at present.”

Mr. P. V. KRISHNAYYA CHOUDARI:—“Why not you make all the local bodies purchase all the debentures?”

* The Hon. Mr. P. T. RAJAN:—“It is not a question of forcing anybody. As a matter of fact, the bank deals with long-term loans, so

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that the loan amount can be paid only in 15 or 20 years time. As such, the local boards and other bodies may not find it convenient to invest their funds in this bank as they will not be in a position to get back the amount when they want."

Mr. P. V. KRISHNAYYA CHOUDARI:—"If they are prepared, what is the objection?"

* The Hon. Mr. P. T. RAJAN:—"If they are prepared, I am quite sure my Hon. Colleague who is in charge of Local Self-Government will gladly consider the question and see that such restrictions are removed.

"Sir, I would like briefly to refer to the series of debentures which are being redeemed now. My hon. Friend, Mr. P. V. Krishnayya Choudari has pointed out that series No. VIII is being redeemed in preference to series VI and IX which carry greater rates of interest. That point was met by my hon. Friend, Mr. Ramalingam Chettiyar. It is because of section 4 (2) of the Act that this policy has been adopted by the bank and in this case it was not for the purpose of converting these debentures into ones carrying lesser rates of interest. The IX series of debentures was specially floated for issuing 5 per cent debentures offered in lieu of redeemed debentures and the amount of Rs. 1,91,900 represents the value of debentures carrying higher rates of interest prior to their conversion. The bank proposes to redeem series VI and IX by the 1st December 1935 and further contemplates redeeming series VII in course of time as and when they get money. Though the guaranteed rate of interest is 5 per cent I am quite sure the bank will, as far as possible, fix only a lesser rate as is evident from the rates fixed for series X, XI, XII, XIII, viz., 4, 4, 4, and 3½ per cent. Only in the case of series IX instead of scaling down the rate of interest in one jump from 6 or 6½ per cent to 4 per cent the bank is doing it gradually. If any one is to complain about the low rates of interest it is the debenture holders who have been forced to convert their debentures which carried a higher rate of interest to ones carrying a lower rate.

12-45
p.m.

"Sir, before I refer to the necessity for increasing the guarantee of amount to the Central Land Mortgage Bank I may briefly refer to the points raised by my hon. Friend, Mr. Basu Dev. He has made a number of misstatements. As mentioned by my hon. Friend, Mr. T. A. Ramalinga Chetti, they were made without any knowledge and without any basis. As far as allegations are concerned I propose to reply by ignoring them as I consider it to be the best way of meeting these allegations. As a matter of fact he has taken advantage of the freedom of speech offered to this Honourable House and has made serious allegations which if they had been made outside would have landed him in trouble. With reference to the defalcation of the Workers' Co-operative Bank, unfortunately rival labour parties got into the bank and ruined it. The less I say about it the better. The man, who misappropriated the amount, was sufficiently punished in

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a court of law. Then my hon. Friend, Mr. Muniswami Pillai, has said that other co-operative banks do not receive the same help as the Central Land Mortgage Bank receive. He referred to the case of Central House Building Co-operative Society where Government refused to guarantee the debentures raised by that society. As a matter of fact Government have been helping the building societies and if societies want to have central society it is up to them to start one and the Government will give as much help as they can. After all, the help which is being given to the Central Land Mortgage Bank is not direct but a guarantee which is only a contingent liability. Regarding the grievance of Potato Growers Association I may say that it is receiving the consideration of the Registrar and there is a proposal to help that association by finding godowns and other marketing facilities. Since the work of any association depends a great deal on the members themselves the department can give them suggestion, advice and co-operation, but the main work of any particular association must necessarily fall on the members of that association. If the Potato Growers Association take that responsibility upon themselves I am quite sure the Government and the department will not lag behind in their support to that association."

Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—"I fear the hon. Member is confusing one with the other. There was a recent proposal to form a new society and there was a difficulty in registration. Will the hon. Member send for the paper and see it?"

* The Hon. Mr. P. T. RAJAN:—"With reference to the new society I believe the society has been registered. Anyhow, I am prepared to look into the matter and give that help which that association is in need of. Coming to the points raised by my hon. Friend, Mr. Nachiyappa Gounder it is needless for me to speak on those points as Mr. T. A. Ramalinga Chettiyar has dealt with them in his speech. Sir, Government have guaranteed under section 7, Rs. 2,25,000. These are debentures issued by bank before the introduction of the Act and subsequent to the Act they have guaranteed debentures to societies to an extent of 50 lakhs and out of that 50 lakhs the bank has issued debentures to the value of 35 lakhs of rupees. As at present arranged the bank will be floating debentures for about nine lakhs of rupees in 1935 to replace the debentures of the VI and IX series besides debentures for about Rs. 2 to 3 lakhs every month for issue of loans to primary banks. It is expected that by January 1936 the present maximum of Rs. 50 lakhs carrying the Government guarantee under section 6 of the Act will be exhausted. In order to invest the new debentures with the status already achieved by the previous debentures and make them popular with the public the bank has requested the Government to increase the maximum amount from 50 to 150 lakhs. Government while agreeing to the request have proposed to increase the amount to 100 lakhs only now, viz., 50 lakhs at a time so that the House may have an opportunity of considering the working of the

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bank carefully when a similar request is made in future. Sir, now I hope the House will accept my resolution, viz., that the guarantee amount be raised from 50 to 100 lakhs of rupees so as to make the bank more helpful and useful to the people of this province."

* The Hon. the PRESIDENT:—"The question is:—

'That this Council recommends to the Government that they may, under sub-section (2) of section 6 of the Madras Co-operative Land Mortgage Banks Act, 1934, increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Central Land Mortgage Bank to a total face value of Rs. 100 lakhs exclusive of such debentures as the bank may from time to time redeem, subject to the periods of issue and the rate of interest specified in the resolution passed by this Council on the 4th August 1934.'"

The resolution was put and carried.

The House then adjourned for lunch.

After Lunch (3 p.m.)

III.—A BILL TO AMEND THE MADRAS CITY MUNICIPAL ACT, 1919, FOR CERTAIN PURPOSES (BILL No. 11 OF 1934)—*cont.*

Discussion on the amendment to add a new proviso to section 102, left over the previous day, was resumed.

Mr. W. K. M. LANGLEY:—"Mr. President, discussion on this amendment was postponed till to-day so that we might be given certain facts and figures. The Hon. the Chief Minister has been kind enough to supply us with certain figures and information and satisfied us that it was impossible for him to agree to this amendment. In view of this, it is not intended to press the amendment."

The amendment was, by leave, withdrawn.

Clause 56 was put and carried.

Clause 57.

Section 104.

Discussion on the amendment of Mr. Basheer Ahmed Sayeed to section 104 moved the previous day was resumed.

* Mr. BASHEER AHMED SAYEED:—"Mr. President, I was referring yesterday to the scheme of the levy of tax under section 104 and that contemplated in section 98-A. I suggest, Sir, that the section as it now stands may be left without being tampered. As I pointed out yesterday, it will be administratively difficult to levy tax every half year. The whole scheme of the Act is that the tax should be fixed for the year. If hon. Members will read section 98-A and all provisions thereunder it will be seen that the levy of tax is made only for